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041222Z Jan 06

C O N F I D E N T I A L YEREVAN 000006

SIPDIS

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E.O. 12958: DECL: 01/03/2016

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SUBJECT: KOCHARIAN MENTIONS MCA, IRAN DURING ANNUAL NEW YEAR'S ADDRESS

REF: 05 YEREVAN 1992

Classified By: CDA A.F. Godfrey for reasons 1.4 (b,d).

1. (C) President Robert Kocharian's New Year's address, which is traditionally broadcast via all local television stations in Armenia on January 31, included a specific reference to the Millennium Challenge Account program. Kocharian said that thanks to the MCA program, Armenia would "see a breakthrough for the development of our rural communities." He followed the mention of MCA to a vague reference of the proposed rural development program of FM Vartan Oskanian, saying that the topic would be the main focus of the September 2006 Armenia-Diaspora Conference. Toward the end of his speech, Kocharian also made special mention of Iran, noting that "strategic programs in the sphere of energy are being implemented." Kocharian's comments about Iran are interesting given the markedly positive language that FM Oskanian is using about Iran during his end-of-year foreign policy speeches and reports (septel).

2. (C) Comment: Post had expected a more substantive comment about MCA and democracy reforms in light of recent conversations with us about the GOAM's commitment to democratic governance and the integrity of its elections. Instead, Kocharian mentioned the MCA almost as a fait accompli and the only mention of democratic governance issues was a reference to the seriously flawed November 2005 referendum in congratulatory terms: "The package on Constitutional reforms has been adopted, which will undoubtedly enhance a comprehensive development of the state and society." Kocharian's special mention of Iran (which did not appear in previous years' speeches) is also noteworthy (ref). We will continue to follow both these issues in our conversations with the GOAM and underscore the need for the President's public statements to at least acknowledge areas where the GOAM needs to register improvement in order to maintain its reputation -- and future USG funding through programs like MCA.
GODFREY